

City of Detroit

CITY COUNCIL

IRVIN CORLEY, JR.
DIRECTOR
(313) 224-1076

FISCAL ANALYSIS DIVISION
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, Michigan 48226
FAX: (313) 224-2783
E-Mail: irvin@cnci.ci.detroit.mi.us

ANNE MARIE LANGAN
DEPUTY DIRECTOR
(313) 224-1078

TO: Karla Henderson, Deputy Director
Buildings and Safety Engineering Department

FROM: Irvin Corley, Jr., Fiscal Analysis Director

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DATE: April 29, 2010

RE: 2010-2011 Budget Analysis

Attached is our budget analysis regarding your department's budget for the upcoming 2010-11 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Tuesday, May 4, 2010 at 3:00 p.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

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Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Pamela Scales, Budget Department Director
Terri Wilson, Budget Department
Norman White, Chief Financial Officer-Mayor's Office
Kamau Marable, Mayor's Office

Buildings and Safety Engineering (13)

FY 2010-11 Budget Analysis by the Fiscal Analysis Division

Summary

Buildings and Safety Engineering (BS&E) is an enterprise agency. The recommended 2010-11 Budget is \$31.7 million, which is a \$2,357,472 (6.91%) decrease from the current year's budget. The Net Tax Cost for the department is (\$386,892) in the 2010-11 FY, a corresponding amount below the current fiscal year.

The Mayor is proposing to eliminate the Environmental Affairs Department, a General Fund agency and fold its operations into Buildings and Safety Engineering (BS&E). Pending Council approval, this action would thereby form a newly renamed Building and Safety Environmental Department in the 2010-11 FY.

As a direct result of the planned restructuring, the Mayor is proposing to classify \$1,681,108 million of the department's appropriations as General Fund dollars, with \$680,592 (40.48%) directly attributed to the Environmental Department activity. Correspondingly, the Mayor is also proposing to classify approximately \$2,068,000 as General Fund revenue, with only \$68,000 (3.29%) directly attributable to Environmental Department revenue. This accounts for the (\$386,892) in Net Tax Cost budgeted for the department in the 2010-11 FY.

In accordance with PA 245 of 1999, BS&E is established as a special revenue fund in the city's Comprehensive Annual Financial Report (CAFR). The recommended budget reflects BS&E as an enterprise agency.

The department is recommended to receive a Block Grant appropriation of \$4.6 million, a decrease of \$89,408 (1.9%) for Demolition Administration.

2009-10 Surplus/(Deficit)

The Mayor anticipates neither a surplus nor deficit for BS&E for FY 2009-10.

Overtime

The overtime budget for current year is \$221,900. The recommended FY 2010-11 overtime budget is \$204,000, a reduction of \$17,900 (8%).

Personnel and Turnover Savings

The Mayor has recommended the net reduction of 32 City positions. The 13 reductions involve the elimination of vacant clerical positions in Licenses & Permits (7), and Property Maintenance and Enforcement (6).

The department has no budgeted turnover savings in FY 2010-11.

Following is information by appropriation comparing budgeted FY 2009-10 positions, March 31, 2010 filled positions and FY 2010-11 recommended positions.

<u>Appropriation/Program</u>	<u>Redbook Positions FY 2009-10</u>	<u>Filled Positions 3/31/2010</u>	<u>Mayor's Budget Positions FY 2010-11</u>	<u>Over/(Under) Actual to 09/10 Budget</u>	<u>Mayor's Recommended Turnover</u>
Buildings & Safety Eng. (13):					
130310 Administration	17	12	15	(5)	\$ -
130312 Licenses & Permits	14	42	0	28	\$ -
130314 Plan Review	42	12	0	(30)	\$ -
10814 Administration & Licenses	73	66	15	(7)	\$ -
130013 Show Cause Hearings	4	2	0	(2)	\$ -
130340 Mechanical	59	51	51	(8)	\$ -
130345 Housing Inspections	35	29	30	(6)	\$ -
130346 Buildings	34	23	24	(11)	\$ -
130347 Zoning	4	4	4	0	\$ -
10815 Inspections	136	109	109	(27)	\$ -
10829 Demolition-B&SE	31	29	30	(2)	\$ -
11110 Property Maintenance Enforcement	81	61	68	(20)	\$ -
130365 Business License Center	0	0	15	0	\$ -
12146 Business License Center	0	0	15	0	\$ -
130370 - Environmental Affairs Department	0	0	7	0	\$ -
13161 Environmental Affairs Department	0	0	7	0	\$ -
130375 Permits	0	0	14	0	\$ -
130376 Plan Review	0	0	31	0	\$ -
13162 Planning and Permitting	0	0	45	0	\$ -
13XXXX Cost Center Not on File	0	0	0	0	\$ -
13XXXX Leave of Absence	0	1	0	1	\$ -
13XXXX Worker's Comp.	0	(3)	0	(3)	\$ -
13XXXX Unmatched Positions	<u>0</u>	<u>3</u>	<u>0</u>	<u>3</u>	<u>\$ -</u>
TOTAL	<u>321</u>	<u>266</u>	<u>289</u>	<u>(55)</u>	<u>\$ -</u>

Significant Funding by Appropriation

Appro. Program

10814 Administration & Licenses Appropriation of \$10.9 million is reduced by \$2.78 million in FY 2010-11. The decrease is due primarily to the transfer of org 130310 Plan Review at \$2.2 million and its 42 positions and org 130314 Licenses and Permits at \$1.2 million and its 14 positions, to the department's new appropriation, 13162 Planning and Permitting and their new respective orgs under this section. The reductions in this appropriation are offset by an increase in its one remaining org, 130310 Administration, which increases by \$653,416. The increase in org 130310 Administration, are due primarily to a \$1.17 million increase in Administrative costs, a \$1 million increase in Major Repairs Office Alternative and a \$1 million in Information

Technology Contractual Services, offset by reductions of \$2.3 million in Purchased Services-Staff Services (from \$3.97 million), \$153,000 in IPO Purchased Services Miscellaneous and reductions in salaries in benefits related to the loss of 2 positions.

10815	Inspections	This appropriation decreases by \$2.5 million, due primarily to an \$859,595 reduction in org. 13040 Mechanical, due primarily to the costs associated with the loss of 8 positions; a decrease of \$842,214 in org. 130346 Buildings, due to the loss of 10 positions; a \$452,901 decrease in org. 130345 Housing /Inspections, due to the loss of 5 positions; the elimination of funding for org. 130013 Show Cause Hearings of \$361,840 and \$25,537 decrease in org. 130347 Zoning, due to salaries and benefits decreases.
11110	Prop. Maint. Enforcement	This appropriation decreases by \$1.5 million in the 2010-11 FY. The decrease is due primarily to the costs associated with the loss of 13 positions.
10829	Demolition-Adm-BS&E	Appropriation decreases slightly by \$89,408 in 2010-11. This account reflects the amount of Block Grant dollars anticipated for BS&E in the 2010-11 FY.
12146	Business Licens. Center	This is a new appropriation of \$1million and 15 positions in the 2010-11 FY
13162	Planning and Permitting	This new appropriation of \$2.9 million reflects the cost of the transferring in of new org 130376 Plan Review at \$1.1 million (a reduction of \$1.1 million) and its 31 positions (a reduction of 11 positions) and new org 130375 Permits (previously Licenses and Permits) at \$1.77 million (an increase of \$559,591) and its 14 positions, to the department's new appropriation in the 2010-11 FY.
13161	Environmental Affairs Depart.	This new General Fund appropriation reflects the merging of the Environmental Affairs Department and BS&E and is budgeted at \$680,592 in the 2010-11 FY.

Significant Revenue Changes by Appropriation and Source

<u>Appro.</u>	<u>Program</u>	
10814	Administration & Licenses	This revenue appropriation is eliminated and reduced to zero in the 2010-11 FY, to reflect the restructuring of the department in the upcoming fiscal year. The revenue orgs in this account transfer to new accounts.
10815	Inspections	This revenue appropriation decreases by \$1.5 million. The decrease reflects corresponding reductions in org

130340 Mechanical and org 130345 Housing /Inspections.

- 11110 Prop. Maint. This revenue appropriation decreases by \$257,266. The decrease is due to a \$600,400 decrease in Safety Inspection Charges, offset by a \$343,134 increase in Civil Infraction Fines.
- 10829 Demolition This revenue decreases by \$89,408 in BS&E Block Grant dollars for FY 2010-11.
- 12146 Business Licens. Center This is a new revenue appropriation of \$2 million in the 2010-11 FY is reflected as general fund revenue.
- 13162 Planning and Permitting This new revenue appropriation of \$8.4 million reflects the transferring in of new org 130376 Plan Review and new org 130375 Permits (previously Licenses and Permits) in the 2010-11 FY.
- 13161 Environmental Affairs Depart. This new General Fund revenue appropriation reflects the merging of the Environmental Affairs Department and BS&E and is budgeted at \$68,000 in the 2010-11 FY.

Buildings and Safety Engineering (13)

Budgeted Professional and Contractual Services by Activity	FY 2009-10 Budget	FY 2010-11 Recommended	Increase (Decrease)
Administration & Licenses	\$ -	\$ 1,000,000	\$ 1,000,000
Inspection Services	\$ 107,300	\$ -	\$ (107,300)
Demolition Administration	2,006,618	2,326,790	320,172
Business License Center	-	1,000,516	1,000,516
Environmental Affairs	-	75,000	75,000
Total	\$ 2,113,918	\$ 4,402,306	\$ 2,288,388

Professional and Contractual Services increase by \$2.28 million (**108%**) for BS&E in the 2010-11 FY.

Questions and Issues

The Mayor has recommended the transferring in of the Environmental Affairs Department, a General Fund agency, by folding its operations into Buildings and Safety Engineering (BS&E). Pending Council approval, this action would thereby form a newly renamed Building and Safety Environmental Department in the 2010-11 FY.

- The budgeted cost for the "Environmental Affairs Department" section is \$680,592, with an accompanying \$68,000 in revenue. Given these factors, why has the Mayor recommended \$1.68 million in General Fund dollars for the department, an excess of over \$1 million for the cost of Environmental Affairs? What was the rationale for classifying \$1 million over the cost of

Environmental Affairs as General Fund Dollars? Is this appropriation of the General Fund dollars allowed under the State's guidelines for municipal enterprise agencies?

- In regard to revenue, the Mayor has budgeted \$2.068 million in General Fund Revenue for the department, an excess of \$2 million of what's expected for Environmental Affairs to generate in 2010-11. What was the rationale for this action? Is this a permissible accounting practice for an enterprise agency?

The department is planning a major restructuring in 2010-11, which includes the net loss of 32 positions. Please detail your position changes and the anticipated overall impact on operations.

- Are there any newly reclassified positions added to the department?
- What are the vacant positions and are they fully funded for the 2010-11 FY?
- Are there any layoffs planned for BS&E?

The department has implemented the Tidemark system for much of its financial activity. To-date how successful has the system performed in the following areas:

- Interfacing with the City's DRMS financial system
- Permit tracking
- Billing activity
- Account receivable collections

The Plan Review at \$1.1 million is reduced by \$1.1 million and 11 positions in the 2010-11 FY.

- What is the anticipated impact of the reductions?
- What was the rationale for the reductions

The Permits section (previously Licenses and Permits) at \$1.77 million on the other hand is increased by \$559,591 and maintains its 14 positions.

- Why does this section increase its costs in 2010-11?

Based on the Mayor's actions the department has projected that general fund revenues will exceed the department's general fund expenses by \$386,892, which is reflected as the department's negative Net Tax Cost.

- What was the basis for the \$2 million Business License Center revenue projection?

Regarding the collections of delinquent accounts, the department has indicated it will aggressively pursue all means to insure that the 36th District Court hears more cases relating to the department's judgments.

- What methods is the department pursuing to accomplish this stated goal?
- So far, how has this initiative impacted revenues?
- Annually, what is projected impact of this initiative on the collection of delinquent revenue?
- To-date what impact has the Neighborhood Stabilization Program had on demolitions?

**Page 13- 9 INSPECTION SERVICES FOR PROPERTY MAINTENANCE DIVISION/
MEASURES AND TARGETS –**

Goals:	2006-07	2007-08	2008-09	2010-11
Measures	Actual	Actual	Projection	Target
Elevator Safety Inspections	3,395	5,223	1,300	6,000
Electrical Inspections	247	144	50	144

- The 2010-11 targets listed above is anticipated to increase significantly. Is 6,000 an accurate figure for the 2010-11 FY? If so, what's the department's rationale for such significant increases for the upcoming fiscal year?
- What is the projected impact on revenue?
- Does your agency currently have any cars? If so, how many cars will be turned in from your agency?
- How many employees who are turning in cars will be given a stipend? How many are currently receiving a stipend?
- What, if any, operational issues do you anticipate, due to the turning in of vehicles?
- Why were the vehicles in your agency not turned in during the last fleet reduction effort?
- Are there changes to the Charter that you would suggest that would improve your agency's efficiency?

Please provide a list of all fees and charges made by the Buildings and Safety Engineering Department. Include the amount of the current fee or charge. Indicate when the fee or charge was last changed, and the amount of the change. Indicate if the fee or charge was reviewed as part of the city-wide fee study. If the fee was included in the study what was the recommendation? Has the recommendation been implemented? If not, provide an explanation of why the recommendation was not implemented?

Is the department involved in any activities that are not recorded as part of the city's financial reporting system? If so, identify what the activities are. Example, the Mayor's Office has established a non-profit organization in connection with the soon to be renamed, Next Detroit Neighborhood Initiative Program.

Does the department use any automated or electronic systems not directly linked to the financial reporting system, DRMS? If so, identify what those systems are, and what are the plans and timetable to incorporate the system into DRMS. For example, the Recreation Department has a Recreation Activity Fund whose financial records are maintained separately from the DRMS system

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